



Under the CAFTA-DR, the products that will be imported into the Dominican Republic have been classified by categories, and each category will apply the elimination of customs duties in different stages. Some products would enter the Dominican Republic duty-free on the date the agreement enters into force, and others will receive gradual reductions on the customs duties. Most of the products in the automotive sector have been categorized within the groups A, B, C, G, M, and X. An explanation of these categories and list of products under these categories follow:

- **Category A:**

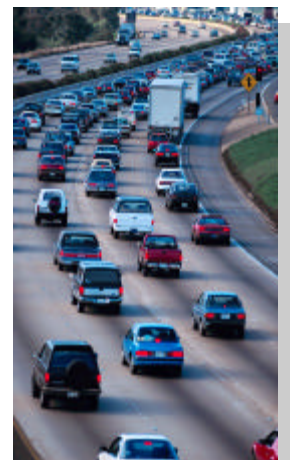
Duties on goods under this category will be eliminated entirely on the date the agreement enters into force. Some of the products under Category A are: windshield and laminated safety glass; rear-view mirrors; locks used on motor vehicles; engines for vehicles of a cylinder capacity not exceeding 1,000 cc; engine parts; ball bearings; transmission shafts and cranks; fuel, lubricating or cooling pumps and filters for engines; spark plugs; air conditioning machines for vehicles; ball or roller bearings and parts; gear boxes; transmission shafts and cranks; burglar alarms for vehicles; sealed beam lamps; cars of a cylinder capacity not exceeding 1,500 cc; SUVs and station wagons (diesel or semi-diesel) of a cylinder capacity not exceeding 1,500 cc; ambulances and hearses of a cylinder capacity not exceeding 1,500 cc (diesel or semi-diesel); rear dump trucks with a capacity not exceeding 5 metric tons (diesel or semi-diesel); garbage collection trucks, refrigerated trucks and tanker trucks with a capacity exceeding 20 metric tons (diesel or semi-diesel); fire fighting vehicles; road sweeper trucks; mobile drilling derricks; chassis fitted with engines; motorcycles with a cylinder capacity not exceeding a 250 cc; spare parts and tires for motorcycles and bicycles; new tires for tractors and construction vehicles; and re-treated tires for all vehicles among others.

- **Category B:**

Duties on goods in this category will be removed in five equal annual stages beginning on the date the agreement enters into force and will be duty-free effective January 1 of year five. Some of the products under this category are: engines for vehicles of a cylinder capacity exceeding 1,000 cc; batteries; minibuses for the transportation of 10 to 12 passengers; all ambulances and hearses that use gasoline and those that are diesel or semi-diesel of a cylinder capacity exceeding 1,500 cc; garbage collection trucks, refrigerated trucks and tanker trucks that use gasoline, and those that are diesel or semi-diesel with a capacity not exceeding 20 metric tons; all rear dump trucks that use gasoline and those diesel or semi-diesel with a capacity exceeding 5 metric tons; mobile cranes; concrete mixers; bodies of vehicles for the transportation of goods and the transportation of 10 or more passengers; parts and accessories of vehicles (bumpers, safety seat belts, door assemblies, etc.); drive axles; mufflers; suspension and brake systems; road wheels; and used tires among others.

- **Category C:**

The duties on the products under this category will be removed in ten equal annual stages beginning on the date the agreement enters into force, and will be duty-free, effective January 1 of year ten. Some of the products under category C are: Temperate safety glass; SUVs and station wagons that use gasoline and with a cylinder capacity not exceeding 1,500 cc; diesel or semi-diesel pick-up trucks; motorcycles with a cylinder capacity not exceeding 250 cc; bicycles; and new tires among others.





- **Category G:**

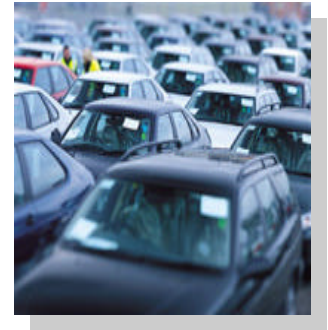
Products under this category are already entering the Dominican Republic duty-free and will continue to do so under the CAFTA-DR. Pedestrian and road tractors fall into this category.

- **Category M:**

Duties of goods in category M will be removed in ten stages. On the date the agreement enters into force, duties will be reduced by two percent of the base rate, and by an additional two percent of the base rate on January 1 of year two. On January 1 of year three, duties will be reduced by an additional eight percent of the base rate, and by an additional eight percent of the base rate each year thereafter through year six. On January 1 of year seven, duties will be reduced by an additional 16 percent of the base rate, and by an additional 16 percent of the base rate each year thereafter through year nine, and these products will receive a full duty-free treatment effective January 1 of year ten. Some of the products under Category M are radiators and automotive lubricants among others.

- **Category X:**

Duties on products under this category will remain at base rates of duty for year one. Beginning January 1 of year two, duties will be removed in four equal annual stages, and the goods will be duty-free effective January 1 of year five. Under this category there are products such as SUVs and station wagons of a cylinder capacity exceeding 1,500 cc and all pick-up trucks that use gasoline.



It should be noted that the provisions and customs duties liberalization that CAFTA-DR provides, are only for those products that comply with the "Rules of Origin" established in Chapter Four of the agreement. Under these rules, a product that is manufactured in another country, for example Japan or China, would not receive duty-free treatment even if it is imported from the United States.

Another important consequence of the CAFTA-DR, is that other taxes and fees levied on American products exported to the Dominican Republic are going to be eliminated. These are the Consular Invoice (current value varies), and the Exchange Surcharge (currently 13%). However, the Selective Consumption Tax that imported vehicles are now paying will remain in place. As a result of the elimination of these taxes, the prices of vehicles and automotive parts and accessories are expected to decline, and the importation from the United States would increase.

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